



City of Loma Linda Official Report

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HOUSING AUTHORITY AGENDA: April 10, 2012

TO: Housing Authority

FROM: Pamela Byrnes-O'Camb, Secretary *P/O*

VIA: T. Jarb Thaipejr, Executive Director *T.J.T.*

SUBJECT: Modification of Affordable Housing Program regarding home purchase

Approved/Continued/Denied
By Housing Authority
Date _____

RECOMMENDATION

It is recommended that the Housing Authority Board approve the proposed modification to expand the home purchase program to include persons who have previously owned as well as first-time homebuyers, defined as renters or persons who have not owned a home within a three-year period.

BACKGROUND

The Home Purchase Program was a former Redevelopment Agency Program begun in 2001. The City Council created the Housing Authority to assume the housing assets of the Redevelopment Agency and its obligations relating to affordable housing.

The Program is currently limited to First-time Homebuyers, and was designed to make home ownership a reality for lower income households who might not otherwise qualify to purchase.

The Program is comprised of two opportunities. One utilizes an outside lender for first mortgage financing, acknowledging the first place position of the long-term affordability covenant, with the Housing Authority providing down payment/closing cost assistance in an amount of 20 percent of the sales price but no more than \$40,000 as a second mortgage.

The other provides for the Housing Authority to finance the transaction in its entirety. This method has been utilized in recent years to retain the long-term affordability covenant at a time when Program management issues arose in that the lenders would no longer acknowledge the first place covenant. Authority financing retained the affordability covenant, provided the buyer within the lower income category the opportunity to purchase a home, and also reduced probability of Program management issues. Payment schedules were drafted pursuant to prior direction.

ANALYSIS

Providing the opportunity for prior home owners as well as first-time homebuyers to make application to participate in the Program expands the Housing Authority's ability to market Housing Authority Properties.

FINANCIAL IMPACT

Minimal if financed by the Housing Authority in that the affected properties are owned by the Housing Authority; \$32,000 or less, but no more than \$40,000 per sale if outside lender is utilized.

**LOMA LINDA HOUSING AUTHORITY
HOMEBUYER PROGRAM
HOUSING AUTHORITY PROPERTIES**

2012

Funds provided under the Program will be used to expand the availability of affordable ownership housing for lower income families.

The Homebuyer Program (HBP) is designed to make home ownership a reality for low-income households. With funds from Housing Authority sources and working in partnership with local lenders, the Program will help make home ownership a reality for low income residents who might not otherwise qualify.

The Housing Authority will take applications from pre-qualified buyers. HBP will offer a loan for down payment and closing costs and provide a course of action for the primary financing and purchase of a home. The provisions can be overwhelming, especially to the inexperienced first-time buyer. HBP will assist with each phase to ensure a successful and timely completion of the home purchase process.

Housing Authority Financing

All loans provided by the Housing Authority to assist in the Homebuyer Program will be secured by a recorded deed of trust on the real property that is to be purchased. *If the Housing Authority finances the transaction in its entirety, the "Silent Second Mortgage" provisions below do not apply.*

Silent Second Mortgage

All loans provided by the Housing Authority to assist in the Homebuyer Program will be secured by a recorded deed of trust on the real property that is to be purchased.

The Silent Second Mortgage:

- Interest of 5% accumulates first five (5) years; principal and interest payments begin year six (6) for 25 years.
- May be ASSUMABLE by an equally qualified buyer within income limits.
- Shall NOT exceed \$40,000 but not more than 20% of the sales price of the house.
- Shall be junior to a first mortgage not exceeding 90% LOAN TO VALUE as determined by the primary lender's appraisal.
- SUBORDINATION SHALL BE ALLOWED for an amount not to exceed the then current loan balance secured by a first mortgage.

Property Standards and Affordability Covenant

Conditions and restrictions on maintenance, ownership and related issues will be part of the required documentation of this Program.

Property Value

The appraised value of the home cannot exceed Program Guidelines linked to a percentage of gross income of the purchaser.

Resale Restrictions

1. The total amount of the silent second plus accrued interest becomes due and payable at the time of sale or transfer of ownership if not assumed by an income-qualified buyer.
2. The seller is restricted by long-term affordability covenants to sell at an "affordable" price which may be less than "market" price to an income-qualified buyer.
3. The silent second may be assumable, but if not, all proceeds from the payoff roll over into the Housing Authority's Housing Fund that will be used to assist other HBP applicants with the purchase of their home.

Pre-Qualifying

An application for the Homebuyer Program will be taken when the potential buyer meets the following basic program applications requirements.

Preference will be given to qualified applicants whose gross income does not exceed 80% of median area income based on family size.

Applicant has evidence that a minimum of \$3,500 is presently available to purchase a home (Minimum of \$1,000 down payment; \$500 toward impound account for property taxes and insurance; escrow fees, including one year pre-paid homeowner/fire insurance).

Applicant must have a positive credit profile to qualify for a mortgage with a private lending institution.

Applicant must occupy the property as a principal residence.

All of the following documentation will be required prior to an application being taken:

Copy of signed tax return for the last two years and current pay stub(s) and/or current copy of Social Security award letter or copy of award letter from financial aid, disability benefits or other evidence of income for the previous 12 months for all applicants.

Address(es), landlord name(s), and phone number(s) for the immediate past three years. Copies of lease agreements, rental agreements or other evidence of local tenancy.

List of current household members, ages, gross incomes.

Name, address, account number where minimum \$3,500.00 or the approved amount is posted. Bank statements or other evidence of deposit showing the funds are available for immediate use.

For more information on Pre-Qualifications and information, telephone (909) 799-2819.